

MEMO

DATE: October 10, 2005

TO: Community, Economic and Human Development Committee

FROM: Joseph Carreras, Lead Planner, (213) 236-1856, Carreras@scag.ca.gov

SUBJECT: Report on the HUD 2005 Southern California Housing Summit: Removing Barriers to Affordable Housing

SUMMARY:

At the last meeting staff informed the Committee of this HUD Housing Summit. U.S. Deputy Secretary of Housing and Urban Development Roy Bernardi and state and local officials addressed community leaders and developers about the lack of housing affordability and availability in Southern California, which pushes home ownership further out of reach for families across the region. California is home to the top ten least affordable housing regions in the nation. Mr. Bernardi, along with California Department of Housing and Community Director Lucetta Dunn and other distinguished speakers, emphasized streamlining the regulatory process as a means to remove barriers to affordable housing.

Mark Pisano, Executive Director of the Southern California Association of Governments (SCAG), established a global and regional context for the discussion. Mr. Pisano stated housing affordability and availability must be addressed in a global manner than integrates the realities of Southern California's economic future. With the population expansion of at least six million in the next 20 years and projected growth in the movement of goods projected over the next 20 years, Southern California has a unique opportunity to plan for the region's provision of affordable, available housing. Mr. Pisano discussed how the emergence of the logistics industry provides a new employment base that bolsters the region's middle class and could make housing more affordable by raising overall income levels when combined with SCAG's Compass 2% Strategy initiative.

He called on the Deputy Secretary of HUD and the Director of HCD to bring forth new housing policy on the national and state levels that integrates the economic realities and land use opportunities for housing production.

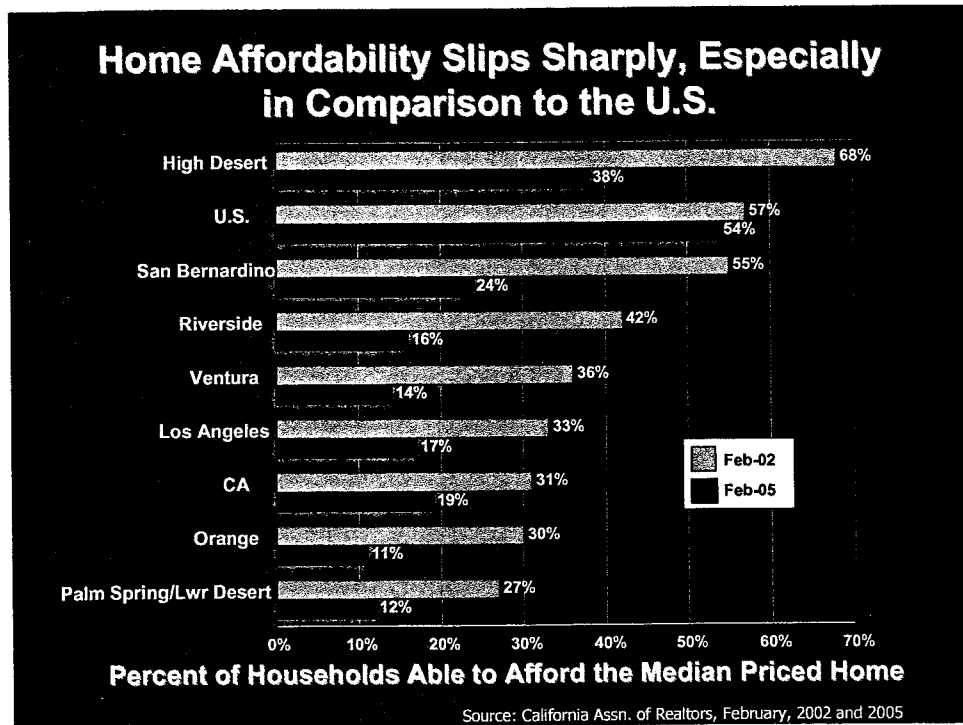
BACKGROUND:

About 500 people attended the Summit, which was held at the Ontario Convention Center, Ontario, CA. Other speakers and panelists at the 2005 Housing Summit at the Ontario Convention Center included:

- Hon. Gary Miller, U.S. Housing Representative (emcee)
- Hon. Gary Ovitt, San Bernardino County 4th District Supervisor and SCAG Second Vice President
- John Young, Second Vice President, Building Industry Association of Southern California
- Richard Lambros, CEO, Building Industry Association of Southern California
- Bryant Applegate, U.S. Housing and Urban Development Senior Counsel
- Chris McKenzie, Executive Director, The League of California Cities
- John Shirey, Executive Director, L.A. Community Redevelopment Association
- Randall Lewis, Executive Vice President/Director of Marketing, Lewis Operating Corporation

Removing Barriers to Affordable Housing

*The regional median home price is approaching \$500,000,
while the median income is \$55,000.*



It's no secret that the American Dream of owning a home is out of reach for most California residents. As it stands now, the Golden State is home to the 10 least-affordable housing markets in the U.S.

While homeownership rates throughout the nation are at their highest levels, California's rate is the second worst in the nation at 58.9%, compared to the national average rate of 68.3%. In fact, if California wanted to raise its homeownership rate to the national average, we would have to build 1.3 million new homes, townhomes and condominiums.

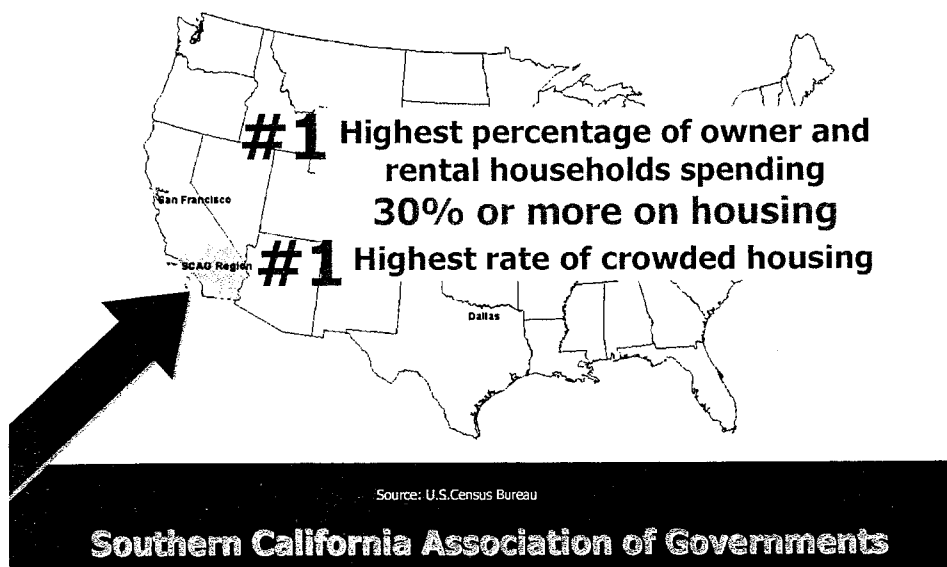
Unfortunately, each year we fall further and further behind.

California's population grows by about 600,000 people each year. The California Department of Finance estimates we need to build 250,000 new homes each year to meet this demand. In 2004, we yielded the highest production in 15 years – about 212,000 homes, still nearly 40,000 homes short of demand.

The American Dream has become a distant mirage for too many Californians. As a result, the Golden State is facing a dire housing affordability crisis. The federal government can help alleviate Southern California's housing crunch by addressing the following items:

Federal Housing Issues Facing Southern California

Of Nine Largest Metros...



- **Direct a HUD program and resource linkage with DOT – Critical to support more housing developments near transportation**
Tie HUD and Department of Transportation programs and resources together to support development near transportation infrastructure and services – foster and support coordination of land use policies with DOT investments, especially near transit, e.g. Urban and Transit Villages. More help is needed to promote shorter commutes, encourage urban home buying, increase affordable multi-family development and prevent sprawl. Base forecast of need on a 20 year inventory.
- **Maintain and expand resources to local government**
Promote HUD housing voucher assistance to localities and increase capital subsidy programs (HOME) – Save the Community Development Block Grant program. Support a National Housing Trust Fund so dedicated resources are available to States and localities.
- **Promote Tax Credit approach to assist projects and low income households**
Expand New Market Tax Credit program, Low Income Housing Tax Credit program and establish an Earned Income tax credit program for assisting low-income households. Federal Low Income Housing Tax Credit Projects alone accounted for nearly 1/3 of all multifamily housing constructed in Southern California since 1998.

- **HUD support needed to help Homeless**
Los Angeles County has an estimated 90,000 homeless, the highest in the nation.
- **Funding formulas and eligibility limits need to be adjusted for high cost housing areas – Need to Promote More Homeownership and Workforce housing in CA**
Whether it is calculating public housing operating subsidies or FHA loan limits, more help is needed here. More home ownership and workforce housing program support are needed. Current program and loan limits are too low in high cost metro areas.
- **Improve oversight of FannieMae and FreddyMac so that more resources are provided for affordable and workforce housing**
GSE need to do more to help relieve the availability and affordability problems facing higher cost metro areas. Median home prices in Southern California approach \$500,000, while median household income is just over \$50,000.
- **Promote reduction of excessive fees and regulatory barriers to housing development through incentives**
The following are typical barriers to affordable housing:
 - Excessive parking requirements
 - Local government's use of fees to fund infrastructure
 - Legal liability for condominium construction defects
 - Private, but not public, enforcement of the state's housing element law that establishes fair-share goals for affordable housing for each local government
 - Lack of certainty in the development review process
- **Promote Section 8 (20 years old) and early Low Income Housing Tax Credit project (15 years old) preservation to prevent the loss of the older affordable housing stock**
This is a critical statewide and regional issue. More than 70,000 affordable housing units are at-risk in California, mostly in southern California. Replacement of this housing would be astronomical in cost. More needs to be done to support preservation of this stock by HUD.

State Issues Affecting Housing Production in California

Now is the time to implement reforms to solve the state's housing woes. Common-sense reforms to restore the American Dream include:

- Reducing fees and reforming regulations that drive up housing costs;
- Fixing well-intended but broken environmental laws;
- Allocating state resources to build new roads and other needed infrastructure instead of putting the entire burden on new-home buyers;
- Working with cities, counties and the state to increase the supply of land on which quality housing projects can be built; and
- Continuing to reform liability laws to encourage the construction of affordable condominiums, making it possible for more Californians to buy their first home.